



Abertay  
University.  
Dundee, Scotland



**INTEGRATED REPORT**  
**2020/21**



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# INTRODUCTION

## Principal's Introduction to Financial Statement, 2021-22

This has been an extraordinary year for Abertay University as we continued to navigate our way through the Coronavirus pandemic and to support our students and staff during this difficult time. I would like to pay tribute to the hard work, resilience, and adaptability of my colleagues across the University for the way in which they responded to the ever-changing circumstances, never losing sight of their focus on supporting our students; and to the commitment and resilience of the Abertay students who had to study in new and unfamiliar ways, and in many cases in difficult personal circumstances.

I am proud that we were able to offer on-campus teaching to all of our students during Term 1. This was important to give students, particularly those students joining us for the first time in 2020, an opportunity to connect with their classmates. This imposed significant burdens on many of my academic colleagues, who taught both on-campus and online, and who often had to run repeated classes on the same topic to comply with the requirement for physical distancing. There were also burdens on professional services staff, for example in providing counselling and other student support remotely, handling complex scheduling challenges, Covid-safe cleaning and supporting laboratory classes taking place under very stringent safety rules.

We were delighted to be recognised by The Times and Sunday Times Good University Guide in September 2020 as UK University of the Year for Teaching Quality 2021. This is a measure of the outstanding commitment of my colleagues to teaching and supporting our students, and it was particularly welcome to receive the award for this pandemic year.

At Abertay, we always have a strong focus on ensuring our financial sustainability, and we paid particular attention to this in the uncertainty of the Coronavirus pandemic. We planned for 2020-21 prudently and have monitored our position closely over the year. The strong financial position we are able to report for this year will enable us to invest in our priorities over the coming years.

While the challenges of Coronavirus will remain with us for some time, our focus has turned to the future, ensuring that our physical infrastructure and the technology is appropriate for the way we will learn and work in what is likely to be a more blended approach between on-campus and remote activities.

These will be my last financial statements as Principal, as I indicated in June my intention to step down once my successor can be appointed and begin work. The introduction to a set of financial statements is perhaps not the right place to present broad reflections on my time at Abertay – this will come later – but I do want to say that my senior team and I have always been conscious that operating sustainably means more than 'balancing the books' and requires the generation of sufficient cash to invest in our future. I am pleased to say that we have done so, in the face of quite serious financial challenges, and that my successor will inherit a university in good financial shape, and with a number of investments in our infrastructure already in place or in progress.



**Nigel Seaton**  
Principal and Vice-Chancellor



**OPERATING  
REVIEW**

## Operating Review

Academic year 2020-21 was shaped by the continuing need to respond to the impact of the Coronavirus pandemic, including the re-occupation of our campus following the initial lockdown from March to July 2020, and the development of an adaptable delivery model to ensure students had access to a blend of on-campus and online teaching throughout the year, in the face of the evolving pandemic and changing levels of restrictions on our operations.

While ensuring the continued safety and wellbeing of staff and students was our priority in 2020-21, we also made progress towards key objectives of our Strategic Plan 2020-2025 by beginning to implement the supporting strategies, and by ensuring continued financial sustainability through our operational planning process.

### Responding to the challenges of COVID

Following the closure of the campus (excluding residences) and the move to remote teaching and working in March 2020, the focus at the start of this academic year was on the reoccupation of the campus, the re-starting of campus-based research to the extent possible and the delivery of some on-campus teaching, as far as permitted with the restrictions in place at the time. In Term 1, with very few exceptions, every cohort of students had the option of attending scheduled activity on campus for one morning or afternoon each week.

The amount of activity permitted on campus varied during the year in line with changes in the level of restriction. Our framework for different modes of operation, agreed in summer 2020, was mapped to the Scottish Government's guidance and set out how we would operate at each level, allowing us to respond swiftly to changes in the guidance. While our initial hope had been to continue to offer some in person teaching to all students in Term 2, the move to Protection Level 4 on 26 December meant that this was not possible, and we operated under a restricted access mode from then until April 2021. Consequently, only research activity and essential face-to-face teaching (laboratory and other practical classes) took place on campus during that period, with the Library remaining open to support students who found it difficult to work from home.

The University's academic regulations for 2020-21 continued to take account of the impact of the pandemic on student learning, to ensure that our students' learning was assessed as fairly and as sympathetically as possible.

There was a major COVID outbreak in a hall of residence linked to the University but not operated by us in September 2020 and we worked very closely with the local Public Health team to support our students during this period. For the remainder of the year, the number of cases reported for Abertay staff and students remained very low, with no evidence of transmission taking place on campus.

As restrictions eased towards the end of this academic year, we developed a new policy for remote working, taking the opportunity to incorporate some of the benefits of our experience to date into how we will work in the future. This will inform how we work over the next academic year and will continue to evolve.

### Supporting the recovery

#### *Reskilling and upskilling*

During 2020-21, almost 1000 learners registered for upskilling microcredentials supported by funding from SFC. These were short flexible courses, delivered online, and covered a range of topics from digital marketing and management skills to cybersecurity. Building on the success of this year's offer, we intend to expand the portfolio in 2021-22.

#### *cyberQuarter*

In June 2021, Abertay's funding of £11.7m over 15 years under the Tay Cities Deal was confirmed, to invest in our new cyberQuarter research and development hub. Designed to attract new and existing cybersecurity firms to the region, the cyberQuarter will also support the creation of new companies, boost the security and resilience of the Scottish business community and facilitate the creation of new products and services through innovation-led research. It will be hosted on the Abertay campus, by extensively renovating unused space, providing office, events and collaboration/experimentation space, alongside secure cloud-computing infrastructure to enable online teaching, R&D and knowledge-exchange activities.

## **Operational planning context**

**Our planning and budgeting for 2020-21 was based on very prudent student number assumptions reflecting the considerable uncertainty in the external environment in the first half of 2020. Student numbers were in fact significantly better than our planning assumption and were around 8% higher than the previous year. In line with our commitment to widening access and recognising the educational disruption suffered by 2020 applicants, we took the decision for entry in 2020-21 to make offers to all applicants who reached the access threshold for their chosen programme. (The access threshold is a lower than standard offer made to students who either come from disadvantaged backgrounds or who have experienced serious disruption in their studies.) This decision also helped to minimise the disruption caused by the changes in the 2020 SQA exam results, as many students who may have had lower than expected grades in the original set of SQA results would still have had their offer of a place confirmed in early August.**

**The higher than forecast student recruitment brought additional fee income to the University. This combined with the successful implementation of the efficiencies agreed in June 2020 and significant additional one-off funding from SFC has produced a favourable variance to our EBITDA which is 14.4%. (EBITDA, the calculation of earnings before interest, taxation depreciation and amortisation, is one of the key financial performance measures and is a proxy for our cash generation from our operations.)**

## **Developing our campus**

**As part of our implementation of the Strategic Plan 2020-25, we are developing a new Estates Strategy, setting out a vision for the campus, and reflecting the views of students, staff and the wider community. This will link closely to our existing Digital Strategy and Learning Enhancement Strategy as well as to the Environmental Sustainability Strategy and People Strategy, both of which are under development.**

**In advance of our new Estates Strategy, a significant programme of work got underway during 2020-21 to upgrade part of the campus, including the replacement of the cladding on the north elevation of the Kydd Building. This is due for completion in early 2022 and will significantly improve the appearance of the building and the quality of the accommodation for students and staff. This project, along with other smaller infrastructure projects to replace switchgear and ventilation units are supported by the Scottish Funding Council's Financial Transactions funding, which provides a loan on favourable terms.**

**In addition, there is a major programme of investment to move our on-campus IT infrastructure to the Cloud to provide a flexible platform to build our digital ambitions on, improve resilience and to address a number of key operational risks. A wider programme of work is also being developed to develop, prioritise and then implement digital transformation projects to support the digital strategy**

## **UK University of the Year for Teaching Quality**

**In September 2020, Abertay was named UK University of the Year for Teaching Quality by The Times & Sunday Times Good University Guide 2021. The 2020 National Student Survey (NSS) scores were a significant factor in the decision to award us this title. We were in the top 10 universities in the UK, top 3 in Scotland, with an overall satisfaction score in excess of 89%. While our score dropped in 2021, reflecting in part students' experience during the pandemic, it remains 37<sup>th</sup> in the UK and above the sector average.**

## **Research and Knowledge Exchange**

**In 2020-21, an implementation plan was developed to support our Research and Knowledge Exchange Strategy, with additional investment in academic staff and PhD studentships agreed in our planning process for 2021 onwards. Research grant income increased by 19% to £2.9m during this academic year.**

**2020-21 also saw our submission to the Research Excellence Framework (REF), the UK-wide mechanism for assessing the quality of research in UK higher education institutions. Reflecting our ambitions to grow the research community and expand into new areas, we have taken an inclusive approach to REF2021, submitting more staff (117 rather than the 72 submitted) and to more subject areas (8 rather than 7) than for REF2014. We have made progress in expanding opportunities for academic staff to engage in research, with a notable increase in the proportion of female staff submitted since REF2014 (39% of the total, up from 28%).**



## International partnerships

In line with our Strategic Plan ambitions to develop international partnerships, three partnerships received approval in 2020-21: a partnership in civil engineering with SRDI (Social Resources Development Institute) in Hong Kong which launched in September 2021, a partnership in Business with Bucharest International School of Management (BISM) in Romania, expected to launch in September 2022, and interim approval for a partnership with Communication University China (CUC) in Hainan, China, awaiting Chinese approval with a launch date to be confirmed.

## Internal environment

The new Professional Services structure was fully implemented in 2020-21 including the creation of the Finance, Infrastructure and Corporate Services Directorate (FICS) bringing together the former Estates and Campus Services, Finance and Research Funding, and most of the former Information Services; and the Student and Academic Services Directorate (SACs) bringing together the former Student Services, Registry and the Library.

A new Business Development Unit, based in FICS, was also established to facilitate the development of market-facing activities that exploit the University's academic expertise, and to help the University to generate income to support its academic activities.

A new project governance framework was introduced in autumn 2020 with regular reporting to the Senior Management Team and Court Committees as appropriate.

## Key performance indicators 2020-21

Following the launch of our new strategic plan in early 2020, Court agreed a revised set of key performance indicators in April 2021. A summary of our performance against these indicators are shown below.

REF	KPI	2025 target	Latest data		Comment
01	% of Scottish-domiciled undergraduate entrants from the 20% most deprived postcodes	20%	16.2% (Feb 2021)	●	Our performance remains comparatively strong among Scottish institutions but remains at similar level to previous years. This indicator should be considered together with KPI 2 which takes account of a wider range of measures of disadvantage.
02	% of Scottish-domiciled undergraduate entrants from disadvantaged backgrounds (i.e. eligible to receive a contextual offer)	20%	18.8% (Feb 2021)	●	Performance remains at similar level to last year but slightly below our 2025 target.
03	% of students satisfied with the overall quality of their course (National Student Survey)	89%	79% against benchmark 74.3% (2021)	●	Survey was carried out in early 2021 and reflects impact of covid on the student experience. Score has dropped since 2020 but remains 37 <sup>th</sup> in the UK and 4% points above the sector average.
04	% of full-time, all-age first degree undergraduate entrants still in higher education after one year (HESA PI)	To exceed benchmark	85.3% against benchmark 90.6% (2018/19 entrants, published March 2021)	●	Improving retention is a priority for the University and a series of actions are underway to support this. There is a lead time before any change shows in the HESA indicators
05	% of UK domiciled full-time students starting first degree courses projected to receive a degree (HESA PI)	To exceed benchmark	67.2% against benchmark 81.1% (2018/19 entrants, published March 2021)	●	See comment for KPI 04

REF	KPI	2025 target	Latest data		Comment
06	% of graduate students employed in graduate level jobs (DLHE / Graduate Outcomes survey)	71%	59% (2017-18 graduation cohort, Graduate Outcomes)	●	Methodology changes mean Graduate Outcomes survey results are not comparable to those from DLHE survey.
07	Number of online qualifications (i.e. courses with a fully or predominantly online component leading to a degree-level qualification)	5 new online qualifications by 2025	0 (Feb 2021)	●	Focus has been on transitioning existing offer to online delivery in light of COVID pandemic and delivering upskilling microcredentials to almost 1,000 in 20/21. Preparatory work has been undertaken throughout the year with expectation of agreement by early 2021 on new online delivery mechanism.
08	Income from new online and franchise provision	Additional income of at least £500k annually by 2025	No data available.		Partnerships are under development but the lead time is considerable. New international partnership in Hong Kong launched in September 2021 and partnership in Romania approved for launch in September 2022.
09	Research grant and contract income	Overall target: 25% increase for 2020 – 2025 Strategic Plan period	£2.850m (2020/21) Updated five year average: £1.956m	●	The increase in recent years is primarily driven by income related to the inGAME project.
11	Number of Scopus citations for Abertay affiliated staff	7.5% year on year increase	4,826 (2019) – 8.9% increase 5,471 (2020) – 13.4% increase	●	
12	Staff engagement: Aggregate measure on staff engagement from the biennial staff survey ('Average UCEA Employee Engagement Score')	Improvement (on baseline)	(no new data – biennial survey)		The next full staff engagement survey is expected to take place in early 2022. (This indicator will also be reviewed during the development of the people strategy.)
13	Staff: overall gender pay gap	Reduction (on baseline)	9.6% (average salary, July 2020)	●	Improvement reflects an increase in the proportion of women in senior roles with associated higher salaries. The very high proportion of women at the lower end of the pay scale, for example in cleaning roles, also has an impact on the gender pay gap. Continuing to narrow the pay gap will primarily depend on increasing the proportion of women in higher paid roles through promotion and/or recruitment (which is in turn affected by availability of vacancies). (This indicator will also be reviewed during the development of the people strategy.)
15	EBITDA as % of income	10-12%	14.4% (2020/21)	●	

KPI 10 (Income from knowledge exchange activity) and KPI 14 (Increase in non-SFC, non-SAAS income i.e. excluding SAAS-paid tuition fees) are being developed as part of the updated financial strategy and are not included here.

## Risk and Opportunities

The University recognises that effective risk management is an important element of management and corporate governance and that it is essential in helping the University to achieve its strategic and operational objectives. Good risk management can make a positive contribution to success of and to the resilience of all aspects of the University. Therefore we integrate our consideration of risk into our operational planning processes.

A summary of the strategic risk register is given below.

	Specific Risk	Residual Risk Score		Risk Owner
		low 1	high 25	
1	We do not deliver the commitments set out in our outcome agreement with SFC and as a result our funding is reduced.			VP Strategy and Planning
2	We do not generate enough cash to be able to sustain the university's core operations on our current model of delivery or to invest in new activity to deliver the university's strategic priorities			Principal
4	Increased competition for resources leads to predatory attack from competitors			VP Strategy and Planning
5	Disruption to University operations arising from major incident, omission, failure or external attack			Director of FICS
6	We do not comply with legislation/changes in legislation.			University Secretary
7	The University's academic reputation is damaged			Deputy Principal
8	We do not have the business processes in place to enable us to operate effectively and therefore are unable to make timely and well-informed decisions.			SMT led by the Principal
9	We do not have sufficient staff capacity and capability and consequently are unable to deliver University's key objectives			Director of People and OD
10	Our portfolio of academic programmes does not meet student expectations, leading to negative experiences, poor outcomes and discouraging future applicants.			Deputy Principal
12	Insufficient numbers of students progressing from partner institutions to Abertay degrees.			Director of ECR
13	We are unable to recruit international students and therefore cannot achieve our strategic plan ambitions.			Director of ECR
14	Change averse / risk averse culture prevents delivery of key strategic objectives			SMT led by the Principal

Strategic Risk Register: approved by Court June 2021

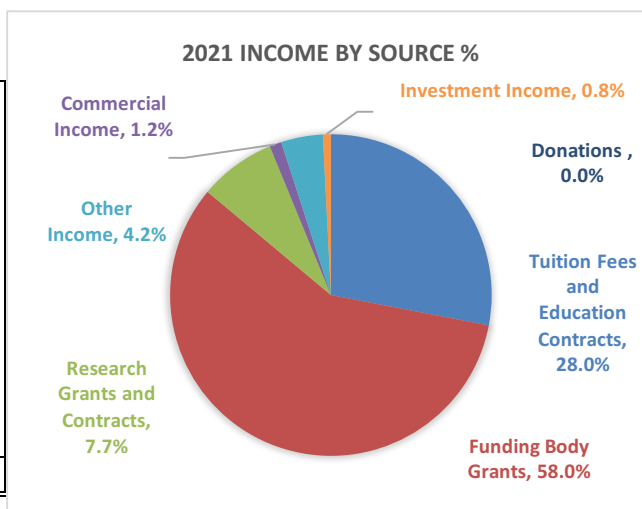


# FINANCE REVIEW

## Finance Review

Results for the year show a reported surplus of £15m, which includes adjustments in respect of USS and LGPS provisions of £14.1m and an EBITDA of £5.6m.

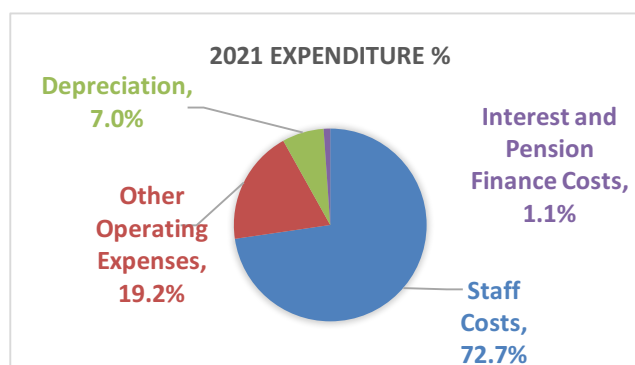
Income Overview	2020 Restated £000	2021 Actual £000
<b>Income</b>		
Tuition Fees and Education Contracts	9,789	10,414
Funding Body Grants	19,515	21,581
Research Grants and Contracts	2,394	2,862
Commercial Income	1,057	454
Other Income	1,601	1,549
Investment Income	333	313
Donations	604	4
<b>Total Income</b>	<b>35,293</b>	<b>37,177</b>



Total Income in 2021 is £37.2m up 5.3% on 2020, with variations in individual categories, but significant movements explained below.

- Funding Body Grants and Tuition Fees account for 86% of income. Main increases in the year included £333k Nursing Support, £355k Upskilling, £322k Research and £1m Covid support.
- Commercial Income decreased by £603k in 2021 with Covid continuing resulting in Shops and Bars remaining closed, and lower students in Residences.
- Donation income during 2021 was minimal.

Expenditure Overview	2020 Restated £000	2021 Actual £000
<b>Expenditure</b>		
Staff Costs	27,032	27,715
Other Operating Expenses	8,422	7,300
Depreciation	2,561	2,671
Interest and Pension Finance Costs	238	416
<b>Total Expenditure</b>	<b>38,253</b>	<b>38,102</b>



Total Expenditure of 2021 is £38.1m which has decreased by 0.3% on 2020.

- Staff Costs accounting for 72.7% of expenditure (70.7% 2020)
- Other Operating Expenses decreased in 2021, with the ongoing pandemic. Costs overall vary year on year but during 2021 Commercial Costs dropped £137k with Outlets being closed, Premises costs were lower £184k with reduced maintenance and facility upgrade costs, and lower agency costs. Endowment expenditure was £283k lower in 2021.
- Interest and Pension Finance Costs increased by £178k as a result of the LGPS actuarial year end valuation.

EBITDA % has moved from 19/20 £1,784k (5.1%) to 20/21 £5,626k (14.4%) due to a combination of higher than expected grant income, as detailed above, combined with constrained expenditure due to COVID-19 restrictions.

Balance Sheet

at 31 July	2020 Actual	2021 Actual	at 31 July	2020 Actual	2021 Actual
	£000	£000	<b>Non Current Assets</b>	47,349	47,986
<b>Non Current Assets - Fixed Assets</b>	37,390	36,156	<b>Current Assets</b>	15,549	20,101
<b>Non Current Assets - Listed Investments</b>	9,959	11,830	<b>Net Current Assets</b>	9,687	12,717
<b>Current Assets other than Cash</b>	1,769	1,519	<b>Net Assets</b>	19,925	35,005
<b>Current Assets Cash</b>	13,780	18,582			
<b>Trade and Other Payables: amounts falling due within 1 yr</b>	(5,862)	(7,384)			
<b>Creditors falling due after one year - SFC Loan</b>	(10,884)	(10,117)			
<b>Pension Provisions</b>	(26,227)	(15,581)			
<b>Total Net Assets</b>	19,925	35,005			
<b>Restricted Reserves</b>	660	613			
<b>Unrestricted - Income and Expenditure Reserve</b>	19,265	34,392			
<b>Total Funds</b>	19,925	35,005			

Significant movements in the Balance Sheet are explained below.

- Listed Investments managed by UBS have increased in the year £1.9m this represents the unrealised increase in our Investment portfolio managed by our external fund advisors UBS, after last years Covid hit in year end valuation. As we do not expect to realise, sell or consume in our normal reporting cycle, we must report these assets as non current assets.
- Our Cash Assets Cash increased by £4.8m from £13.8m to £18.6m in 2021. The University has included outline estates and digital projects in its capital investment plan. Both the estates strategy and digital strategy are being revised to ensure they properly reflect the post-covid environment and properly support the University's strategic ambitions. This work will enable a cash flow and investment planning exercise to be carried out in 2021-22. During 2020-21, given the level of uncertainty in the operating environment, the University focussed on maximising its cash holdings.
- The £1.2m reduction in Fixed Assets includes £2.5m depreciation charged and additions of £1.3m. Additions of £1.2m relate to the ongoing capital building works (Cladding, Cyber Quarter, Air Handling and Switch Gear).



# **RESPONSIBILITIES** OF COURT

## **Financial Responsibilities of the University Court**

In accordance with the Further and Higher Education (Scotland) Act 2005, Abertay University Court is responsible for the administration and management of the affairs of the University, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Court is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, The Further and Higher Education (Scotland) Act 2005, Scottish Funding Council Accounts Direction and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the Court of Abertay University, the University Court, through its designated office holder, is required to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Court has to ensure that:

- Suitable accounting policies are selected and applied consistently.
- Judgements and estimates are made that are reasonable and prudent.
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Court is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Court has a responsibility to:

- Ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe.
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.
- Safeguard the assets of the University and hence to take reasonable steps to prevent and detect fraud; and
- Ensure reasonable steps have been taken to secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments.
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.
- Regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns.
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Court.
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit & Risk Committee and Finance & Corporate Performance Committee.
- A professional Internal Audit team whose annual programme is approved by the Audit & Risk Committee and endorsed by the Court. The Internal Audit team provides a report of internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

The officers and members of the Court who held office at the date of approval of the Annual Report and Financial Statements confirm that, so far as they are each aware, there is no relevant audit information of



**which the University's auditor is unaware; and each officer and member of the Court has taken all the steps that he/she ought reasonably to have taken as an officer and member of the Court to make himself/herself aware of any relevant audit information and to establish that the University's auditor is aware of that information.**

## **Court's Primary Responsibilities**

The primary responsibilities of Court, as the governing body of the University, are:

1. To approve the mission and strategic vision of the University, long-term academic and business plans and key performance indicators (kpis); to ensure that these meet the interests of stakeholders; and to ensure that there are opportunities for Court to provide strategic input in the development of key strategies and long-term plans such that their approval can be considered by Court without conflict of interest.
2. To appoint a Principal and Vice-Chancellor as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
3. To appoint a secretary to Court and to ensure that, if the person appointed has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability.
4. To delegate authority to the Principal and Vice-Chancellor of the University, as chief executive, for the academic, corporate, financial, estate and personnel management of the University. In addition, to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Principal.
5. To ensure the quality of Institutional education provision.
6. To ensure adherence to the funding requirements specified by the Scottish Funding Council in its Financial Memorandum and other funding documents.
7. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and 'whistle-blowing' complaints and for managing conflicts of interest.
8. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions.
9. To establish processes to monitor and evaluate the performance and effectiveness of Court itself.
10. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
11. To safeguard the good name and values of the University.
12. To be the employing authority for all staff in the University and to approve a human resources strategy.
13. To ensure that non-discriminatory systems are in place to provide equality and diversity of opportunity for staff and students.
14. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
15. To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name.
16. To make such provision as it thinks fit for the general welfare of students, in consultation with Senate.
17. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
18. To ensure that the University's constitution is followed at all times and that appropriate advice is available to enable this to happen.

### **Going concern**

The University Court considers that the University has adequate resources to continue in operation for the foreseeable future.



**Mr Murray Shaw**  
Chair, University Court

The University Court would like to express its thanks to all those who have served on Court or as members of Committees of Court during the course of the year.

**COMPLIANCE**

**CORPORATE  
GOVERNANCE  
STATEMENT**

## Corporate Governance Statement

Court is the governing body of Abertay University. The composition, functions, and powers of the Court for the year ended 31 July 2021 were set out in the Abertay University (Scotland) Order of Council 2019, which took effect on 1 September 2019 (see later section on 'Governance'). Under the 2019 Order, the objects of the University are to provide education, undertake and carry out research, make suitable and adequate provision for such activities, and conduct the affairs of the University in ways that promote its objects.

The University is committed to exhibiting good practice in all aspects of corporate governance. A revised Scottish Code of Good HE Governance was published in 2017. In the opinion of Court, the University complied with all the principles and provisions of this Code through the year.

### Covid 19 Impact on Governance

No changes were required to the structure of the governance framework (Court and its committees or Senate and its committees) and no emergency powers were used or taken because of the Covid 19 pandemic. Court and all its committees met on the planned number of occasions and in some cases, held additional meetings. All of the meetings of Court and its committees and all meetings of Senate and its committees took place online. Court was kept apprised of developments in Scottish Government guidance and received regular updates in relation to Covid19 developments from the University Secretary as Chair of the Coronavirus Crisis Management Team. Further aspects, such as the impact of the pandemic on internal audit and engagement with staff, are addressed throughout this report.

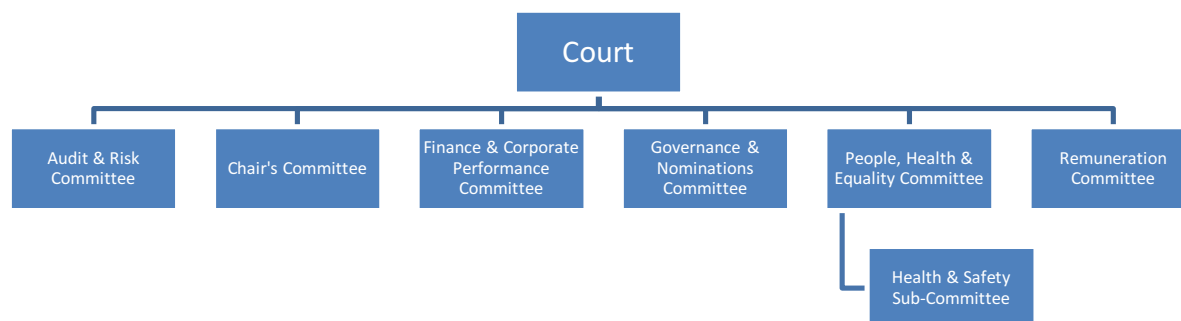
*The University was grateful to its Court members for their continuous engagement throughout this challenging period and in particular for their ongoing constructive challenge to the Executive and Senior Management of the University with a view to ensuring that the University's legal and ethical responsibilities were discharged towards students and staff.*

## COURT - THE UNIVERSITY'S GOVERNING BODY

### Court administration

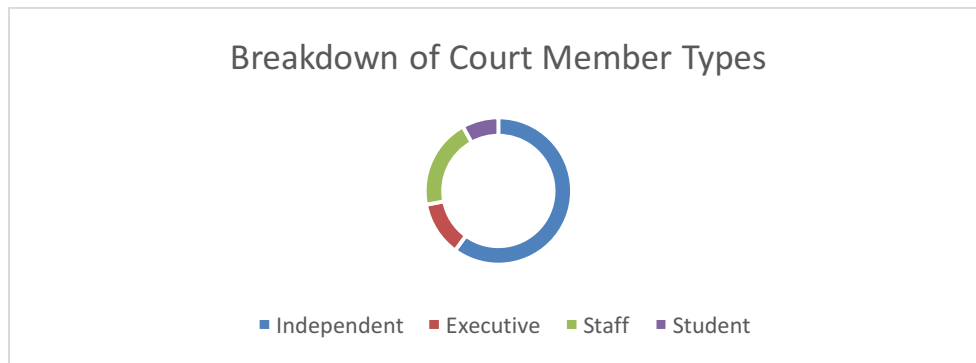
There were five scheduled meetings of Court during the year. Meetings took place in September and November 2020; and in February, April, and June 2021. As mentioned above, meetings from April 2020 were held online using video-conference facilities. Due to the global pandemic, Court was unable to hold its annual strategic conference where, with members of the University's Senior Management Team, Court has the opportunity to discuss future planning and emergent issues. Under normal circumstances, Court meetings are scheduled for three hours - normally commencing at 2 pm at the University - and are preceded by a visit to part of the University and opportunity to meet staff and students. Between this and the meeting commencing formally, there is a lunch to which all senior managers, members of Senate (the primary academic committee of the University) and those staff who have just been visited by Court members are invited. This has not been possible since March 2020 owing to the impact of Coronavirus.

All meetings of Court and its committees are scheduled in advance of the academic year. Agendas and papers are published on a committee portal one week in advance of meetings to provide time for reading. A notification of publication is sent automatically to all members. Court has several standing committees as follows:



## Court membership

Court comprises independent (lay) members, *ex officio* members (i.e. those who have membership through holding a particular role at the University - specifically the Principal, the Deputy Principal and the Vice-Principal); and elected staff members (one from amongst academic staff, one from amongst support staff and one from Senate), with a maximum membership of 25 people. In line with the 2019 Order, there are two student members nominated by the Students' Association (an increase from one student member in previous years) and two additional staff members nominated by the trade unions.



This balance of diverse members ensures that there is a clear majority of independent members on Court and that staff, students and the University's Executive are all represented, bringing a wide range of skills, and experience to the functions of Court. The Governance & Nominations Committee ensures that, when vacancies arise in the independent membership, an analysis of the skills and experience required is identified and used when advertising, interviewing applicants and inviting Court to appoint new independent members. This committee also ensures that the requirements of the University's Order with respect to the experience of these members are also met.

There were 15 lay members of Court as at 31 December 2020. One lay member resigned in March 2020 owing to pressure of work associated with their professional role and the Coronavirus pandemic and in recognition that they would not be able to devote adequate time to their governor role. They re-joined the membership of Court in November 2020.

The Abertay Students' Association President and the Abertay Students' Association Vice-President were nominated as the two student governors during the year in question. After having been re-elected as Vice-President for a second year, one student governor left the institution to pursue employment opportunities. A by-election was held and a new Abertay Students' Association Vice-President identified to join the membership of Court from 1 July 2021.

One staff governor nominated by the UNITE union ceased to be a member of Court on 31 December 2020 on their retirement from the University and a new member was nominated. One elected staff governor came to the end of their period of office on 31 December 2020. An election was held to fill the vacancy, resulting in that staff member being re-elected to Court. The elected member of non-academic staff stood down, having come to the end of their contract and an election was held to fill the vacancy.

Additionally, two lay members periods of office came to an end on 31 December 2020. An executive search agency was appointed, overseen by the Governance & Nominations Committee, to seek applications. As a result, and following interviews by the Committee, two new lay members were appointed with a wide range of experience from financial and education backgrounds. A third individual was invited to join the lay membership of Court with effect from 1 January 2022.

### Key Court roles

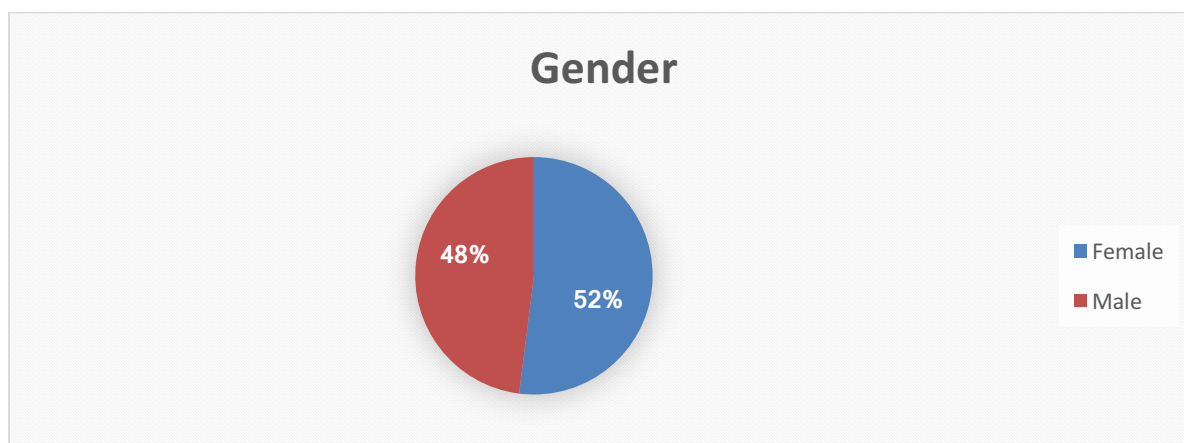
**Chair of Court:** the Chair – an independent member - is responsible for the leadership of Court. He/she is responsible for ensuring that the necessary business of Court is carried out efficiently, effectively, and in a manner appropriate for the proper conduct of public business.

**Vice-Chair of Court:** an independent member who acts as Chair in the Chair's absence. The position has been held by Dr Annie Ingram since 1 January 2020.

**Court Intermediary:** this independent member serves as an intermediary for other Court members who might wish to raise concerns about the conduct of Court or effectiveness of the Chair; and annually, leads Court's appraisal of the Chair's effectiveness. The role was undertaken by John Burt OBE until 31 December 2020, when his final term of office came to an end. The role is currently undertaken by Gordon MacDougall.

**Secretary to Court:** an employee of the University who is appointed to this role by Court and has a direct reporting line to the Chair of Court. She ensures that Court acts within its powers and follows proper procedures, is the principal officer of Court and acts on the instructions of Court. The Secretary is Sheena Stewart.

As at 1 June 2021, Court had a majority of female members for the first time in the history of the institution. This means that Court has achieved the gender representation objective of the 'Gender Representation on Public Boards (Scotland) Act 2018' by having exceeded 50% non-executive/independent members who are women. As of 1 June 2021, the balance between genders amongst the lay membership was 53.3%/46.6%.



#### **Periodic review of Court's effectiveness**

Court undertook an externally-facilitated review during 2016/17, which involved both an external facilitator and a separate external adviser. This review concluded that that the Court of the University was effective and overall met its Statement of Primary Responsibilities and complied with the Scottish Code of Good HE Practice 2013 and the HE Governance (Scotland) Act 2016 (where applicable). The next such review is due to be conducted in session 2021/22.

During the year 2017/18, the Governance & Nominations Committee oversaw the implementation of the recommendations that arose from this externally-facilitated review. The report is also published on the University's main website. The next review will be held during 2021/2022 and will be conducted under the terms of the Scottish Code of Good HE Practice 2017.

#### **Annual review of Court's effectiveness**

All boards and governing bodies should regularly review their effectiveness, and the Scottish Code of Good HE Governance requires the courts of universities to do so annually, and, in that context, both to measure compliance with the Code and performance against Court's Statement of Primary Responsibilities. Since 2015, Court has considered and approved an annual effectiveness report, which is then published on the University's website.

## Attendance at Court and Court committees

The table below shows the attendance of all members at meetings of Court and its main committees.

	Court	Court Committees					
		Audit & Risk Committee	Finance & Corporate Performance Committee	Governance & Nominations Committee	Chair's Committee	Remuneration Committee	People, Health & Equality Committee
		5 meetings	4 meetings	5 meetings	4 meetings	5 meetings	2 meetings
Ms N Ahmed **	4 out of 4						3 (out of 3)
Professor Liz Bacon	5 out of 5				4		
Mr A Bailey +	3 out of 5		4				
Mr E Baines	3 out of 5			3			4
Ms D Bandeva	5 out of 5		4			2	
Mr J Barnett +	5 out of 5	4				2	
Mr J Burt OBE + *	2 out of 2				2 (out of 2)		2 (out of 2)
Miss A Duffy	2 out of 2			2 (out of 2)			
Mrs H Dunk OBE + ^	1 out of 1						1 (out of 1)
Ms G Ghafoor +	5 out of 5	2 (out of 2)			2 (out of 3)		3 (out of 3)
Mrs M Guild *	2 out of 2						1 (out of 1)
Mrs L Hamilton + ^	1 out of 1	1 (out of 1)					
Dr A Ingram +	5 out of 5			3	5	1	4
Professor T Inns +	2 out of 5	2			1 (out of 3)		
Mr F Keir +	3 out of 5	3					
Ms V Lynch +	5 out of 5			3			
Mr G MacDougall +	3 out of 5						4 (out of 5)
Ms C MacEachen	2 out of 5					2	
Mr J MacGregor +	3 out of 5		5				
Mr T Marks +	5 out of 5		5	3		2	
Mr I McDonald +	5 out of 5		5		5	2	
Dr J Rees + *	2 out of 2						2 (out of 2)
Ms F Robertson + ##	4 out of 4		2 (out of 2)				
Mr A Samuel	5 out of 5						
Professor N Seaton	5 out of 5			2	5		
Mr M Shaw +	5 out of 5			3	5	2	
Dr K Smith	4 out of 5		4				
Ms C Summers	5 out of 5		5		5		
Aggregate attendance level (figures for year to 31 July)	92.68% (86.40%)	83.33% (83.30%)	91.89% (86.11%)	73.07% (87.5%)	89.47% (97.22%)	92.85% (100%)	88.88% (96.42%)

+ Non-executive/lay member

## Non-member between March 2020 and November 2020

\* To 31 December 2020

\*\* From November 2020

^ From May 2021

## Induction and development

New members received an in-depth induction session provided by the Secretary to Court and were also invited to attend external development events including a one-day seminar for new governors in Scotland offered by Advance HE. Court members were regularly apprised of training opportunities which might be of interest, developmentally.

## COURT AND ITS COMMITTEES: KEY ACTIVITIES DURING YEAR

### Strategic development

Court regularly considers strategic development issues and it receives regular updates on the implementation of objectives. In 2020/2021, Court received updates on progress against planning assumptions and objectives at all of its scheduled meetings. The University published its Strategic Plan 2020-2025 following approval by Court in November 2019. Court - directly and through its committees - maintains oversight of the Key Performance Indicators approved by Court. In February 2020, Court approved a revised set of KPIs that relate to the Strategic Plan 2020-2025 at the same time as it received a final report on the previous KPIs.

## Financial performance and capital investment

Court, through its Finance & Corporate Performance Committee, reviewed the financial performance of the University and approved the University's budget for session 2021/2022. The Finance & Corporate Performance Committee is responsible, *inter alia*, for the development, implementation and review of the University's Strategic Plan and associated enabling strategies including operational plans; any significant financial deviation from such plans; the key performance indicators for the University as agreed by Court; the annual financial statements for each financial year; all proposals for the borrowing of money; the financial projections prepared for submission to the Scottish Funding Council; oversight of the management and application of all funds of the University ensuring they are handled within the Financial Regulations; oversight of the University's Financial Policies and Procedures; oversight of the management of all activities of the University as they relate to the estate and the University's estate strategy and to capital projects such as ICT infrastructure; and oversight of the financial affairs of the Abertay Students' Association.

Court, through the Finance & Corporate Performance Committee, received capital projects updates at the start of session but expressed concern that formal written reports on capital investment projects were not forthcoming. Management reported that this related to unplanned staff absences and undertook to improve the submission of formal integrated reports on strategic finance and capital investment developments. Additionally, the Committee requested the development of a process for the strategic evaluation and prioritisation of projects, which it received at its meeting in March 2021.

The Finance & Corporate Performance Committee held an additional, single-item meeting in December 2020 to progress the Kydd Building Cladding Phase V Project in advance of seeking Court approval to proceed to tender. The Committee also received regular reports on the development of a new medium-term financial strategy to act as a roadmap for the University's ambitions.

Court, through the Finance & Corporate Performance Committee, also oversaw the University's bid for the Tay Cities Deal, noting the progress of the University's cyberQuarter proposal and delegating responsibility for any urgent acceptance of the final project fund to the Principal, the Chair of Court and the Chair of the Committee. The full Tay Cities Deal was signed on 17 December 2020. This is an academic-industrial partnership designed to establish the Tay Cities region as a centre of best practice in applied research and development and knowledge exchange in cybersecurity, exploiting Abertay's distinctive ethical hacking and offensive cybersecurity knowledge.

## People matters

The impact of the Covid 19 pandemic on the health, safety and welfare of staff and on the student body became the critical matter for Court as the virus spread across the UK from February 2020, leading to national 'lockdown' in March 2020 and the complete closure of the University. The People, Health & Equality Committee received updates on this fast-moving situation from the Coronavirus Crisis Management Team and Court, as noted earlier, received regular updates from the University Secretary. Since March 2020, Court has been apprised of developments in the University's framework for operations during the pandemic, as well as support for staff and students.

The People, Health & Equality Committee also strongly focussed on improvements to health and safety and to governance of this topic, raising to Court the need for internal audit reports in this area to be considered by it as well as by the Audit & Risk Committee in order, timeously, to be able to provide Court with informed views of such critical matters. Court accepted this and officers of the University undertook to ensure that the internal audit programme reports of any topic were considered by relevant committees and not solely by the Audit & Risk Committee. Related to this, Court, through the People, Health & Equality Committee, receive reports on the implementation of the health and safety audit recommendations.

Following the Grenfell Tower, the Health & Safety Sub-Committee received oral reports on the cladding in place on the University estate. After the student accommodation fire in Bolton in 2019, the People, Health & Equality Committee requested that a written update report be provided on the status of the ACM (Aluminium Composite Material) cladding which had been identified on University buildings. The departure of the Director of Operations and the retirement of the Vice-Principal (University Services), coupled with the closure of campus had delayed the production of such a report and it had not proven possible for the Director of FICS to verify that assurances had been received that the current cladding was being safely maintained until new cladding could be installed. A 'lessons learned' exercise was undertaken and proposals made to escalate matters more swiftly to the University Executive.



**Pulse survey results conducted during the global pandemic were noted and, following consideration by the People, Health & Equality Committee, Court endorsed the recommendation of that committee to approve a new Code of Student Discipline: Non-Academic Misconduct. Court was apprised of discussions at the People, Health & Equality Committee, with representatives of UCU and Unite regarding redundancy avoidance and of the development of a flexible working policy. Court also noted the annual reports on health and safety, on occupational health, on sickness absence and the University's Equality Mainstreaming report.**

## Governance

Having overseen the significant activity in implementing the new Governing Order for the University and associated new rules for the nomination of members in September 2019, the Governance & Nominations Committee has in 2020/2021 had as its main focus a review of the University's Scheme of Delegation. This complex project is in train and a review of the delegated financial authority for borrowing, including associated changes to the remit and membership of the Finance & Corporate Performance Committee was noted by Court.

Further work to enhance governance at Abertay University was undertaken by the Governance & Nominations Committee during the year in question; including considering and recommending to Court the annual report on the effectiveness of Court; considering and bringing to the attention of Court the Office of the Scottish Charity Regulator's report on its review of payments to the former Principal of the University of Aberdeen and discussing means by which the inter-relations between the committees of Court could be improved.

Court remains concerned to improve the diversity of the lay membership of Court as well as addressing wider aspects of diversity including age and sexual orientation. The Governance & Nominations Committee has considered the skills and diversity matrix with a view to Court's appointment of new lay members to fill current and near-future vacancies and will seek to use a range of tools to identify and attract appropriate candidates.

Due to the global pandemic, it was not possible to hold the third annual public stakeholder event in 2021.

In relation to statutory duties and legal requirements, Court considered annual reports on the University's compliance with the Prevent Duty, the Public Sector Equality Duty, with the Freedom of Information (Scotland) Act, and with the requirements of the Scottish Public Services Ombudsman.



## the scottish code of GOOD HE GOVERNANCE

The revised edition of the Scottish Code of Good HE Governance, produced by the Committee of Scottish Chairs in consultation with a wide range of stakeholders, was published in October 2017. This Code, originally produced in 2013, states that it:

*"underpins the sector's commitment to high standards of governance. Governing bodies have a responsibility to lead by example, guiding the development of the institution's ethics and values and demonstrating these in the governing body's own actions. This means that they must show leadership and integrity not only in the decisions they make but also in the way they conduct their business".*

**The Code sets out range of good governance practice with which higher education institutions must 'comply or explain'.**

**In the opinion of Court, Abertay University complied with all the principles and provisions of the 2017 Scottish Code of Good HE Governance through the year.**

## Remuneration

The Remuneration Committee, comprising only non-executive independent members plus a non-executive staff governor and a student governor, met on two occasions in the session and fulfilled its remit in relation to (a) considering the salaries of the senior officers of the University, namely the Principal, the Deputy Principal, the Vice-Principal (Strategy and Planning) and the University Secretary; and (b) deciding the principles for determining the salaries of all other University staff whose salaries are in the discretionary range above the nationally-determined salary scale. The Principal of the University is not a member of the Remuneration Committee.

When setting remuneration for senior officers, Court is mindful of public interest and of the tight funding environment in which the University operates. It therefore adopts an approach that is evidenced through performance, is broadly in line with comparator institution data and is informed by the views of all members of Court including staff and student members, who all discussed this matter in private as a formal agenda item (without members of the Executive Group present) at one of the meetings of Court in the session. This informed the deliberations of the Remuneration Committee when it met subsequently, and a detailed report was provided to Court thereafter.

The data used to inform the Remuneration Committee is drawn from the Universities and Colleges Employer Association's Senior Staff Remuneration Survey and the Committee of University Chairs' Vice-Chancellor Salary Survey, and internal analysis of salary distributions. The institutions used for benchmarking have been selected on the basis of broadly equivalent income and number of students.

Note 5 to the Financial Statements details the relationship between the Principal's pay and that of all other employees (as a multiple of the median pay across all staff.)

## Audit and risk management and internal controls

As the governing body of the University, Court is responsible for the University's system of internal control, which includes internal audit; delegation of responsibilities within a regulatory framework; and reviewing its effectiveness. The system is designed to fulfil the University's responsibilities related to accountability, transparency, and value for money inherent in good corporate governance practice. It emphasises the effective management of risk, using well thought-out and controlled risk-taking. However, any such system can only provide reasonable and not absolute assurance against material misstatement or loss.

Court's annual confirmation of the effectiveness of internal control is informed by a continuous review of the process used by the University to identify, measure, and manage its key risks. These risks comprise both business and financial risk and derive from operating in the environment of the higher education sector. The identification, measurement and management of risk are conducted through the University's Risk Management framework. This process is reviewed by the Audit & Risk Committee of Court and accords with the internal control guidance for directors on the UK Corporate Governance Code.

Delegation of responsibilities is articulated within the University's 'Scheme of Delegation', which sets out those authorities that are assigned by Court to its committees; to the Principal and his executive team; and to Senate and its committees in relation to matters of academic policy, regulation and development.

In January 2021, the Audit and Risk Committee considered a report by the University's internal auditors on cyber security arrangements. As a result of the focus on cyber risks both within the University and more widely across the higher education sector, the Committee asked for regular updates to address the recommendations, and supplementary actions put in place by the University's Information Security Working Group. Good progress has been made to address the recommendations, including the commissioning of external and internal network penetration testing and disaster recovery facility.

During the year, the Audit & Risk Committee:

- Considered reports arising from the internal audit plan for session 2019/2020 at its meeting in October 2020, including the Maintenance of Quality and Academic standards during the pandemic and the annual follow-up review.
- Approved the internal audit plan for the year and considered the reports arising from this plan, including Covid Job Retention Scheme Grant Claims; Student Recruitment; Cyber Security; Health & Safety Management under Covid; Estates Management, and Budgetary Controls.
- Approved revision to the internal audit plan owing to the disruptions caused by the Covid-19 pandemic.
- Considered the annual integrated report and financial statements for the University for the year ending 31 July 2020.
- Considered updates on risk management at each meeting, focusing latterly on the operational risks and mitigating actions relating to the Covid-19 pandemic.
- Continued reviewing the relationship between it and the Finance & Corporate Performance Committee with a view to providing clarity of their respective remits and providing a greater role for the Audit & Risk Committee in terms of assurance of project controls in advance of large-scale projects being launched by the University.
- Held a private meeting with the internal auditors and with no senior members of University staff present.

In the view of the internal auditors, based on the reviews undertaken during the period, and in the context of materiality:

- The risk management activities and controls in the areas which they examined were found to be suitably designed to achieve the specific risk management, control, governance, and value for money arrangements.
- Based on their verification reviews and sample testing, the risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control, governance and value for money objectives were achieved for the period under review.

### Sustainability of the University

As mentioned above, Court monitors the overall financial and strategic sustainability of the University through an agreed set of key strategic risks and associated mitigation.

The primary purpose of risk management within the University is to maintain an effective framework for taking informed decisions about the risks that affect the University's ability to deliver its Strategic Plan. The Policy is intended to support and guide the University in maintaining a proper balance between business and financial risks and its desire to achieve its ambitions for the future. The Framework provides management and staff with a coherent approach to managing risks and taking advantage of opportunities at both the strategic and operational levels; and it provides Court with a tool for monitoring the University's overall sustainability through retaining the determination of risk appetite and setting the risk boundaries, when taken together with the agreed Key Performance Indicators. The strategic risks, provided in the strategic risk register above, are reviewed regularly by Court, and include, for example, the following key risk and associated risk response plan:

- *We do not generate enough cash to be able to sustain the university's core operations on the current model of delivery or to invest in new activity to deliver the university's strategic priorities.*

## **Court: stakeholder engagement**

During 2020/21, Court was unable to visit any part of the University owing to the closure of the University from mid-March 2020 onwards. Members of Court participated in on-line events once the University closed; for example including student degree shows and online graduation celebration. In addition, individual Court members made visits to campus to view the health and safety arrangements made as the University emerged from lockdown.

The agendas and papers for Court and its committees are all published and available to staff and students of the University. Approved Court minutes are published on the University's website along with the register of interests of each Court member, the University Secretary and the Director of Finance, Infrastructure and Corporate Services.

A regular committee update is published on the University's intranet to share with staff and students a summary of the activities of Court, Senate, and their committees. Members of staff of the University took up the open invitation to come and observe meetings of Court; and members of Court attended meetings of Senate as observers.

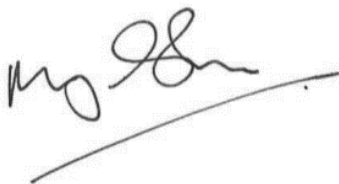
## **CONCLUSION**

The range of activities described within this corporate governance statement reflect Court's commitment to delivering on its primary responsibilities and adopting an approach of continuous improvement in governance matters and increasing transparency and engagement with stakeholders.

## **GOING CONCERN**

The University Court considers that the University has adequate resources to continue in operation for the foreseeable future.

**Signed by**

A handwritten signature in black ink, appearing to read 'Murray Shaw', is written over a horizontal line.

**Mr Murray Shaw**  
*Chair, University Court*

*The University Court would like to express its thanks to all those who have served on Court or as members of Committees of Court during the year.*



A hand pointing at a digital screen with various business icons like charts, gears, and a globe.

**AUDIT**

**INDEPENDENT  
AUDITOR'S  
REPORT**

## **INDEPENDENT AUDITOR'S REPORT TO THE COURT OF ABERTAY UNIVERSITY**

### **Opinion**

We have audited the financial statements of Abertay University ('the institution' or 'the University') for the year ended 31 July 2021 which comprise the Statement of Principal Accounting Policies, Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserve, Balance Sheet, Cash Flow Statement and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the University's state of affairs as at 31 July 2021 and of the income and expenditure, recognised gains and losses, changes in reserves, and of the University's statement of cash flows for the year for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the University Court's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the University's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the University's ability to continue as a going concern.

### **Other information**

The other information comprises the information included in the annual report set out on pages 1-20, other than the financial statements and our auditor's report thereon. The University Court is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinion on other matters prescribed by the Scottish Funding Council's Financial Memorandum with Higher Education Institutions**

In our opinion, based on the work undertaken in the course of the audit, in all material respects:

- **Scottish Funding Council's accounts direction have been met;**
- **funds from whatever source administered by the institution for specific purposes have been applied properly to those purposes and, if relevant, managed in accordance with relevant legislation, and any other terms and conditions attached to them; and**
- **funds provided by Scottish Funding Council have been applied in accordance with the requirements of the Scottish Funding Council Financial Memorandum with Higher Education Institutions.**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Charity Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- **the information given in the Strategic Report is inconsistent in any material respect with the financial statements; or**
- **proper accounting records have not been kept; or**
- **the financial statements are not in agreement with the accounting records and returns; or**
- **we have not received all the information and explanations we require for our audit.**

### **Responsibilities of the University Court**

As explained more fully in the Statement of Responsibilities of Court set out on page 10 and 11, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the University Court determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the University Court is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the University Court either intend to liquidate the institution or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud  
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the University and management.



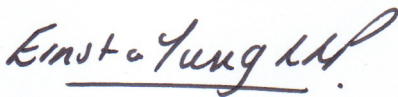
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the University and determined that the most significant are FRS 102 and Statement of Recommended Practice for Further and Higher Education.
- We understood how the institution is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquires through our review of the Court minutes and papers provided to the Audit and Risk Committee, as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence which was then followed up;
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage income and expenditure. Where this risk was considered higher, we performed audit procedures to address the risk of fraud and management override. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error;
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management, those charged with governance and those responsible for legal and compliance procedures; journal entry testing with a focus on journals indicating large or unusual transactions based on our understanding of the business and a review of Court minutes to identify any non-compliance with laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the University Court of Abertay University, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Abertay University and the University Court as a body, for our audit work, for this report, or for the opinions we have formed.



Ernst & Young LLP  
Statutory Auditor  
Date:



# FINANCIAL STATEMENTS

# Introduction to the Financial Statements

## Objective

The objective of financial statements is to provide information about the financial position, performance and cash flows of the institution that is useful for economic decision-making by a broad range of users who are not able to demand reports tailored to meet their particular information needs.

These users include:

- The governing body of the institution.
- The funding bodies.
- Charity regulators.
- Government and government departments.
- The institution's employees (past, present and future).
- The institution's students (past, present and future).
- Lenders and creditors.
- Other institutions, schools and industry.
- Grant-awarding bodies, donors and benefactors.
- The general public.

Funders and financial supporters may have differing needs in detail, but there are certain key characteristics of financial information which are applicable to all. The main objectives of the financial statements and related reports are, therefore, to provide the following information:

- A true and fair view of the financial position of the institution at the date of the Balance Sheet and of the income and expenditure, gains and losses, reserves and cash flows for the period then ended.
- Suitable analysis and appropriate disclosure of:
  - The income from all sources within the period of the account.
  - The expenditure on all activities within the period of the account.
  - The assets and liabilities of the institution, classified in suitable form.
  - Any known or probable circumstances which might significantly affect the institution's financial position.
  - How the institution is performing financially, including the adequacy of its working capital, its solvency (or insolvency), and its investment performance.
- Narrative disclosures to include:
  - An explanation of the corporate governance of the institution and an appropriate statement of responsibilities
  - A Strategic Report.

The accounting concepts and pervasive principles underlying the financial statements of entities are set out in section 2 of FRS 102. Institutions applying FRS 102 and this SORP must apply these concepts and principles.

## Format

An institutions' financial statements must include:

- A statement of principal accounting policies and estimation techniques.
- A Statement of Comprehensive Income presenting the financial performance during the accounting period.
- A Statement of Changes in Reserves.
- A Balance Sheet presenting the financial position at the end of the accounting period.
- A Statement of Cash Flows.
- Notes to the accounts.

# Statement of Principal Accounting Policies

## 1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): *Accounting in Further and Higher Education 2019* and in accordance with Financial Reporting Standard 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS102. The financial statements are prepared in accordance with the historical cost convention. The impact and continuing uncertainty as a result of Covid-19 on the future financial performance and cashflows of the University have been considered as part of the University's assessment and adoption of the going concern basis in these financial statements. The University has considered the risks and potential impact of these in producing its financial plans and forecasts. These financial statements have been prepared on a going concern basis which University management believe to be appropriate for the following reasons:

- At 31 July 2021 the University held cash and cash equivalents of £18.6 million, while net current assets were £12.7 million including external borrowings in the form of £10.1 million unsecured loan from the SFC, which is fully repayable between 10 and 20 years, the last repayment by 31 July 2041. The University Court has reviewed financial forecasts, including plans for future student recruitment, and after reviewing the assumptions utilised in the forecast scenarios, it is satisfied that the University is expected to be able to meet its commitments and obligations for at least the next twelve months from the date of the signing of this report, including under any plausible worst-case scenario for future University financial performance during this period.
- The forecast budget scenarios, covering the years 2021-22 to 2023-24 outline how the operational activities of the University are expected to continue to generate cash. For budgetary control purposes the University put in place a programme of activity to reduce non-essential expenditure in 2020-21, focusing on ensuring the University remained financially sustainable, and well positioned to deliver our strategic plan priorities. We had a review process in place to monitor progress through the year, including regular consideration of risks, reflecting the ongoing uncertainty arising from the pandemic, not least the potential impact on future student recruitment and retention. The main assumed reduction in income was in tuition fees, in particular overseas tuition fee income, along with a similar but smaller reduction in other income, particularly Residence's income.
- During 2020-21, student recruitment was much improved over the budgeted position, bringing additional fee income to the University. This combined with the successful implementation of the required efficiencies and produced a favourable year-end position. Our revised forward projections to 2023-24 continue to forecast significant liquidity, even in the event of a severe downside scenario. If a severe downside scenario does occur, a range of further mitigating actions are available to university management depending on the severity of the situation. This includes further limiting discretionary spend and restricting non-essential and non-committed capital expenditure. Based on the above analysis, the University's view is that it remains entirely appropriate to prepare the financial statements on a going concern basis. The financial statements do not include the income and expenditure of the Students' Association as the University is not in the position to exert control or dominant influence to obtain benefit from its activities.

## **2. Critical accounting judgements and key sources of estimation uncertainty**

In the application of accounting policies, management are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future period.

The following are the key assumptions and estimations that management have made in the process of applying the University's accounting policies and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Pension liabilities – the key assumptions made in deriving these figures are explained in detail in notes 12-15.
- Provisions – yearend provisions are made based on best available information at the time of preparing the financial statements.
- Depreciation and useful economic lives of buildings – the key assumptions are explained in note 7.

## **3. Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised in the financial statements when:

- The University has a present obligation (legal or constructive) as a result of a past event.
- It is probable that an outflow of economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

## **4. Taxation**

The University is recognised as a charity by HM Revenue and Customs and is recorded on the index of charities maintained by the Office of Scottish Charity Regulator. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Vat allocated to Fixed Assets is included in their costs.

## **5. Income Recognition**

Income from the sale of goods or services is credited to the Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers, or the terms of the contract have been satisfied.

Grants (including Research Grants) from non-Government sources are recognised in income when the University is entitled to the income and performance related conditions have been met. Income received in

advance of performance conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

#### **6. Foreign Currencies**

Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

#### **7. Related parties**

There is a separate Students' Association at Abertay, and the University does not exercise control over it. The University makes an annual grant to support the Association's activities. Certain costs are recorded in the books of the University and reimbursed by the Association.

#### **8. Stock**

Stocks of catering supplies are valued at the lower of cost or net realisable value based on 'first in first out'. Where necessary, provision is made for slow-moving stock. The closing value was £14.5k (2020 £7.9k).

#### **9. Supplier payments**

It is the University's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the University and its suppliers, providing that all trading terms and conditions have been complied with. Generally, the University aims to pay all invoices to suppliers within 30 days of the date of the invoice. The University has no matters to disclose under the Late Payment of Commercial Debts (Interest) Act 1998.

#### **10. Change in Accounting Policy**

During the year we have voluntarily made a change in our Accounting Policy with regard to Tuition Fees and Educational Grant Income. Previously Fee Waivers and the costs of funding Rest of UK (RUK) and Overseas scholarships were treated as Other Operating Expenditure, and Tuition Fee and Educational Grant Income was shown Gross. Now all Fee waivers and the costs of funding RUK and Overseas scholarships are treated as reductions in income, reflecting the net income to Abertay. This has been changed in 31/7/20 reducing Tuition Fee income and Other Operating Expenditure by £691k, but not having any impact on the Total Comprehensive Income for the year. The equivalent impact in 30/7/21 without this change in accounting policy would be to increase tuition fee income by £518k, with a corresponding increase in Other operating Expenditure.

Further accounting policies are detailed on the appropriate notes to the Financial Statements.

## Abertay University - Statement of Comprehensive Income and Expenditure (SOCl)

The SOCl is a statement of surplus / deficit and other comprehensive income for the financial year ended 31<sup>st</sup> July. Surplus or deficit is the total of income less expenses, excluding the components of other comprehensive income. Other comprehensive income comprises items of income and expense that are not recognised in the surplus or deficit (as required by the accounting rules). The biggest value item for Abertay is the actuarial gain / loss in respect of the defined benefit Tayside Superannuation Fund. Total comprehensive income comprises all components of surplus or deficit and of other comprehensive income.

For the year ended 31 July	Note	2020 Restated £000	2021 Actual £000
<b>Income</b>			
Tuition Fees and Education Contracts	1	9,789	10,414
Funding Body Grants	2	19,515	21,581
Research Grants and Contracts	3	2,394	2,862
Commercial Income		1,057	454
Other Income		1,601	1,549
Investment Income		333	313
Donations	6	604	4
<b>Total Income</b>		<b>35,293</b>	<b>37,177</b>
<b>Expenditure</b>			
Staff Costs	5	27,032	27,715
Other Operating Expenses		8,422	7,300
Depreciation	7	2,561	2,671
Interest and Pension Finance Costs		238	416
<b>Total Expenditure</b>	4	<b>38,254</b>	<b>38,102</b>
<b>Surplus/(Deficit) Before Other Gains/Losses</b>		<b>(2,961)</b>	<b>(925)</b>
Gain/ (Loss) on Disposals of Fixed Assets		6	0
Gain/ (Loss) on Disposals of Investments		(878)	1,870
		(872)	1,870
<b>Surplus Before Tax/for the Year</b>		<b>(3,833)</b>	<b>945</b>
Actuarial Gain/ (Loss) in Respect of Pension Scheme		(14,293)	14,131
Other Comprehensive Income/(Expenditure)		(62)	2
		(14,355)	14,133
<b>Total Comprehensive Income for the Year</b>		<b>(18,188)</b>	<b>15,078</b>
<b>Represented by:</b>			
Restricted Comprehensive Income for the Year		(35)	3
Unrestricted Comprehensive Income for the Year		(17,819)	15,124
Endowment Comprehensive Income for the Year		(333)	(50)
		(18,188)	15,078

## Abertay University - Statement of Financial Position (Balance Sheet)

The Balance Sheet is the statement of assets, liabilities and reserves of an entity at a particular point in time, in this case as at 31st July. The Balance Sheet is comprised of two parts. The top part shows net assets (what is left over when you take the total liabilities away from the total assets). In a charity, the net assets are the charity's reserves. These are analysed out in the bottom part of the balance sheet.

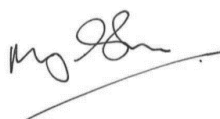
	Note	2020 Actual £000	2021 Actual £000
<b>Non-Current Assets</b>			
Fixed Assets	7	37,390	36,156
Non-Current Investments		9,959	11,830
		<u>47,349</u>	<u>47,986</u>
<b>Current assets</b>			
Stock		8	15
Trade and Other Receivables	8	1,761	1,504
Cash and Cash Equivalents		13,780	18,582
		<u>15,549</u>	<u>20,101</u>
Less: Trade and Other Payables: amounts falling due within one year	9	(5,862)	(7,384)
<b>Net Current Assets</b>		<u>9,687</u>	<u>12,717</u>
<b>Total Assets less current liabilities</b>		<u>57,036</u>	<u>60,703</u>
<b>Creditors due after one year - Loans</b>	9	(10,884)	(10,117)
<b>Provisions - Pensions</b>	12	(26,227)	(15,581)
<b>Total Net Assets</b>		<u>19,925</u>	<u>35,005</u>
<b>Restricted Reserves</b>			
Endowment Reserve	6	587	537
Restricted Reserve	6	73	76
<b>Unrestricted Reserves</b>			
Income and Expenditure Reserve		19,265	34,392
<b>Total Funds</b>		<u>19,925</u>	<u>35,005</u>

The financial statements on pages 25 to 51 were approved by Court on 16/02/2022 and were subsequently signed on its behalf on tbc by:

The accompanying notes and policies on pages 32 to 51 form part of these financial statements.



**Professor Nigel Seaton**  
Principal & Vice-Chancellor



**Mr Murray Shaw**  
Chair, University Court



**Mr Gordon Weir**  
Director of Finance,  
Infrastructure and Corporate  
Services



## Abertay University - Cash Flow Statement

	2020 Actual £000	2021 Actual £000
<b>Cashflow from operating activities</b>		
(Deficit)/Surplus for the year	(3,833)	945
Other Comprehensive Income	(14,321)	14,133
	<u>(18,154)</u>	<u>15,078</u>
<b>Adjustment for non-cash items</b>		
Depreciation and impairment charges	2,561	2,671
Decrease/(Increase) in stock	25	(7)
Decrease/(Increase) in debtors	(36)	257
(Decrease)/Increase in creditors	281	1,522
(Decrease)/Increase in pension provision	16,086	(10,646)
<b>Adjustment for investing or financing activities</b>		
Investment Income	(289)	(350)
Donation/ Endowment Income	371	49
(Loss)/Gain on disposal of investments	118	(878)
Interest Income	(43)	(80)
Capital Grant Income	(443)	(445)
<b>Net cash (outflow)/inflow from operating activities</b>	<u>477</u>	<u>7,171</u>
<b>Cashflows from investing activities</b>		
Current and non-current investment income	289	350
Endowment income	54	4
Endowment expenditure	(420)	(54)
Restricted donations	4	23
Restricted Reserves Expenditure	(39)	(21)
Fixed asset additions	(2,885)	(1,436)
Proceeds from sale of fixed assets	0	0
Non-current investment disposals/ (additions)	758	335
Income from disposal of current asset investments	(11)	(1,328)
Capital Grant Receipts	443	445
Cash inflow/(outflow) from returns on investments and servicing of finance	<u>(1,807)</u>	<u>(1,682)</u>
<b>Cashflows from financing activities</b>		
Interest Income	43	80
New Loans	9,962	(767)
<b>Cash outflow from capital expenditure and financial investments</b>	<u>10,005</u>	<u>(687)</u>
<b>Increase/(Decrease) in cash and cash equivalents in the year</b>	<u>8,675</u>	<u>4,802</u>
Cash and cash equivalents at beginning of the year	5,105	13,780
Cash and cash equivalents at end of the year	<u>13,780</u>	<u>18,582</u>
Increase/(Decrease) in cash and cash equivalents in the year	<u>8,675</u>	<u>4,802</u>

## Abertay University - Statement of Changes in Reserves

	Income and Expenditure Account Endowment Reserves	Restricted Reserves	Unrestricted Reserves	Total £000
Balance at 1 August 2019	953	108	37,051	38,112
Surplus/(Deficit) from the Statement of Comprehensive Income and Expenditure	(33)	0	(18,417)	(18,451)
Other Comprehensive Income	(333)	(34)	631	264
Total Comprehensive Income for the year	(366)	(34)	(17,788)	(18,188)
<b>Balance at 31 July 2020</b>	<b>587</b>	<b>73</b>	<b>19,264</b>	<b>19,926</b>

	Income and Expenditure Account Endowment Reserves	Restricted Reserves	Unrestricted Reserves	Total £000
Balance at 1 August 2020	587	73	19,264	19,926
Surplus/(Deficit) from the Statement of Comprehensive Income and Expenditure	0	0	30,253	30,252
Other Comprehensive Income	(50)	3	(15,126)	(15,173)
Total Comprehensive Income for the year	(50)	3	15,124	15,078
<b>Balance at 31 July 2021</b>	<b>537</b>	<b>76</b>	<b>34,391</b>	<b>35,005</b>

## Notes to the Financial Statements

### Note 1: Income – Tuition Fee and Educational Contracts

#### a. Accounting policy

Fee Income is stated net of any expenditure which in effect reduces Tuition Fee and credited to the Statement of Comprehensive Income and Expenditure over the period of study. Any amount where the Tuition Fee is reduced by a discount for prompt payment or scholarship, income receivable is shown net of the discount, Bursaries are accounted for as expenditure and not deducted from Income.

#### b. Income reported in the Statement of Comprehensive Income and Expenditure

	2020 Restated Actual £000	2021 Actual £000
<b>Scottish and EU Student Fees</b>		
Undergraduate	6,305	6,872
Post Graduate Taught	706	786
Post Graduate Research	97	87
	<u>7,108</u>	<u>7,745</u>
<b>RUK Student Fees</b>		
Undergraduate	1,011	1,218
Post Graduate Taught	42	34
	<u>1,053</u>	<u>1,252</u>
<b>Non EU (International) Fees</b>	1,537	1,286
<b>Other Fees</b>	91	131
<b>Total Tuition Fee Income</b>	<u><u>9,789</u></u>	<u><u>10,414</u></u>

#### Supplementary analysis by full-time / part-time method of study:

	2020 Restated Actual £000	2021 Actual £000
<b>Full Time</b>		
Scottish and EU Students	6,673	6,692
RUK Students	1,037	1,196
Non EU (International Students)	1,317	1,286
	<u>9,027</u>	<u>9,174</u>
<b>Part Time</b>	762	1,240
<b>Total Tuition Fee Income</b>	<u><u>9,789</u></u>	<u><u>10,414</u></u>

## Notes to the Financial Statements

### Note 2: Funding Body Grants

#### a. Accounting policy

Funding Body Grants including block grants are recognised as income when the University is entitled to the income and performance related conditions have been met.

#### b. Income reported in the Statement of Comprehensive Income and Expenditure

	2020 Actual £000	2021 Actual £000
<b>SFC Recurrent Grants</b>		
Teaching Grant	16,538	17,288
Research Grant	1,354	1,515
Regional Coherence	874	894
	<b>18,766</b>	<b>19,697</b>
<b>SFC Specific Grants</b>		
Capital Maintenance	443	445
Wider Access	295	291
Other	11	1,149
	<b>749</b>	<b>1,885</b>
<b>Total Funding Body Grant Income</b>	<b>19,515</b>	<b>21,581</b>

**Notes to the Financial Statements**  
**Note 3: Research Grant and Contract Income**

**a. Accounting policy**

**Research grants from government sources, grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met.**

**b. Research Grant and Contract Income in the Statement of Comprehensive Income and Expenditure**

**The table below analyses total research grant and contract income by type of funder.**

	2020 Actual £000	2021 Actual £000
Arts and Humanities Research Council (AHRC)	1,098	1,120
Biotechnology & Biological Sciences Research Council (BBRC)	22	223
Economic and Social Research Council (ESRC)	29	149
Engineering and Physical Sciences Research Council (EPSRC)	10	9
Medical Research Council (MRC)	34	81
Natural Environmental Research Council (NERC)	66	2
Other RCs	0	0
Royal Society, British Academy and Royal Society for Edinburgh (RSE)	33	0
UKRI	149	242
<b>Research Council Total</b>	<b>1,441</b>	<b>1,826</b>
EU	214	144
Other	13	2
UK Charities	350	347
UK Government	136	401
UK Industry	240	142
<b>Total Research Grant and Contract Income</b>	<b>2,394</b>	<b>2,862</b>

## Notes to the Financial Statements

### Note 4: Analysis of Total Expenditure by Activity

The table below summarises our total Expenditure according to our (Higher Education Statistics Agency) HESA categories, which collates and compares UK Higher education data.

£000	2020 Restated	Academic Staff Costs	Other Staff Costs	Total Staff Costs	Other Operating Expenses	Depreciation	Interest and Other Finance Costs	2021 Actual
Academic Departments	12,514	11,520	754	12,274	419	281	0	12,974
Academic Services Administration & Central Services	4,314	0	2,274	2,274	1,613	170	0	4,057
Premises Residences & Catering Operations	11,987	48	6,156	6,204	3,048	130	0	9,382
Research Grants & Contracts	4,382	0	1,295	1,295	991	1,952	0	4,238
Pension Cost Adjustment	548	0	232	232	177	138	0	547
Other	2,393	502	1,298	1,800	1,051	0	416	3,267
	2,109	0	3,120	3,120	0	0	0	3,120
	6	0	516	516	1	0	0	517
	<b>38,253</b>	<b>12,070</b>	<b>15,645</b>	<b>27,715</b>	<b>7,300</b>	<b>2,671</b>	<b>416</b>	<b>38,102</b>
2020 Comparison		11,757	14,334	26,091	9,363	2,561	238	38,253

#### Other Operating Costs include:

External Auditors remuneration in respect of audit services £77k (2020 - £68k)

Internal Auditors remuneration in respect of audit services £43k (2020 £34k)

Operating Lease rentals £2k (2020 - £25k)

## Notes to the Financial Statements

### Note 5: Staff Expenditure

#### a. Staff Expenditure as reported in the Statement of Comprehensive Income and Expenditure

	2020 Actual £000	2021 Actual £000
<b>Staff Costs</b>		
Wages and salaries	18,971	18,558
Social security costs	1,900	1,862
Employer Contribution - Pension Costs	3,383	3,375
<b>Underlying Staff Expenditure</b>	<b>24,254</b>	<b>23,795</b>
<b>Severance Costs</b>	907	827
Pension service costs	1,871	3,120
<b>Total Staff Expenditure</b>	<b>27,032</b>	<b>27,742</b>

Underlying staff expenditure adjusts the total staff expenditure for severance and pension service costs. Underlying staff costs in 2021 were £23.8m, a decrease of 2% from 2020 – with severance decreasing by 9% and pension service costs increasing by 67%.

Further information on Pension Service Costs can be found in note 12.

#### b. Average staff numbers, expressed as FTE

The number of Academic and Support Staff both decreased by 8 (4% and 3%) from 2020 with the overall staff number now sitting 16 below (426) from 2020 (442).

Average staff numbers by major category, expressed as FTE :

Number FTE	2020 Actual	2021 Actual
Academic Staff	189	181
Support Staff	253	245
	<b>442</b>	<b>426</b>

Academic Staff include Teaching Fellows, Lecturers, Professors and Researchers. Support Staff include Senior Managers including Deans of Schools. There are a small number of non-salaried staff who are excluded from the above summary.

#### c. Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Key Management Personnel are considered to be the Executive Group, made up of Principal and Vice Chancellor, University Secretary, and Vice Principals.

	2020 Actual £000	2021 Actual £000
<b>Key Management Personnel Compensation</b>	<b>618</b>	<b>498</b>

Our Vice-Principal and Deputy Vice-Chancellor (University Services) retired on 2nd of July 2020, and no replacement has been recruited, resulting in a reduction in Key Management Personnel Compensation year on year.

d. Emoluments of the Principal

	2020 Actual £000	2021 Actual £000
Salary	220	220
Employer's contribution to pension	4	4
	<u>224</u>	<u>224</u>

- No bonus or other taxable benefits were paid to the Principal during the year.
- The median salary multiple, (where median salary is total staff expenditure / average staff is £42k (2020 £42k) to Principal's salary is 5.2 (2020 5.2).

e. Emoluments of other key management personnel

Remuneration excluding severance payments, employer's contributions to National Insurance and superannuation schemes paid to other key management personnel are shown in the table below (by salary band).

The number of staff with a basic salary of over £100,000 per annum has been included in the table below.

Number FTE	2020 Actual	2021 Actual
£100,001 - £110,000	0	0
£110,001 - £120,000	0	0
£120,001 - £130,000	1	0
£130,001 - £140,000	1	1

All severance payments, including compensation for loss of office, are approved in accordance with the processes set out in the University's Severance Statement, which is in accordance with the SFC's Financial Memorandum.

f. Court Members

The University Court members are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition of the Court, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Court may have an interest. All transactions involving organisations in which a member of the Court may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures.

In 2020 and 2021, no Court member received remuneration or waived payments from the University. The total expenses paid to or on behalf of 7 Court members was £0k (2020 £2k). This represents travel and subsistence expenses incurred in attending Court, Committee Meetings, and charity events in their official capacity. All meetings during 2021 were done virtually.



## Notes to the Financial Statements

### Note 6: Donations and Endowments

#### a. Accounting policy

Non exchange transactions without performance related conditions are donations and endowments. Donations and Endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no related conditions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted according to the terms or the restrictions applied to the individual endowment fund.

There are two main types of donations and endowments reported within reserves on the Balance Sheet:

- Restricted Donations – the donor has specified that the donation be used for a particular objective.
- Expendable Endowments – the donor has specified a particular objective other than the purchase of tangible fixed assets and the University has the power to use the capital.

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanent restricted fund which the University must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

#### b. Income reported in the Statement of Comprehensive Income and Expenditure

All new endowments and donations are recognised as income (upon entitlement).

	2020 Actual £000	2021 Actual £000
Restricted Donations	4	3
Donations with no Restrictions	600	2
<b>Total Income</b>	<b>604</b>	<b>5</b>

#### c. Reserves reported on the Balance Sheet

Reserves are analysed out at the bottom of the Balance Sheet. They are the funds that we can spend on our charitable purposes. This definition excludes restricted income and endowment funds as these must be spent in a specific way. The tables overleaf show the movements in the balances of the restricted endowment reserve and the other restricted reserve. It also analyses the closing balances by purpose of use.

## Restricted Endowment Reserves

Restricted Endowment Reserves are held as Current Asset Investments.

	2020 Actual £000	Permanen t £000	Expendabl e £000	2021 Actual £000
Balance at 1 August	953	67	520	587
New Endowments	54	0	4	4
Expenditure	(420)	(29)	(25)	(54)
Total Endowment Comprehensive Income for the Year	(366)	(29)	(21)	(50)
Balance at 31 July	587	38	499	537
<b>Split of Endowment Reserves by Purpose</b>				
Scholarship Funds	38	0	0	0
Prize Funds	122	0	112	112
Other Funds	427	38	387	425
	587	38	499	537

## Other Restricted Reserves

	2020 Actual £000	2021 Actual £000
Restricted Donations		
Balance at 1 August	108	73
Income	4	23
Expenditure	39	21
Total Restricted Comprehensive Donation Income for the Year	43	44
Balance at 31 July	73	76
<b>Split of Restricted Donations by Purpose</b>		
Research Support		
Prize Funds	73	76
General		
	73	76

## Notes to the Financial Statements

### Note 7: Fixed Assets

#### a. Accounting policy for Fixed Assets

Fixed assets are stated on the Balance Sheet at cost less accumulated depreciation and accumulated impairment.

Land and buildings are stated at historic cost less accumulated depreciation. Freehold land is not depreciated. All other categories of fixed assets are held at historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Component accounting has been adopted for buildings at the following rates:

Short Term (eg Finishes and Floors)	10 Years
Medium Term (eg Mechanical and Electrical, Cladding)	30 Years
Long Term (eg Sub and Support Structure)	50 years

Finance costs which are directly attributable to the construction of land and buildings are capitalised as part of the costs of those assets.

Equipment, furniture and coherent packages of equipment costing £10,000 or more have been capitalised and depreciation charged on a straight-line basis over periods ranging from three to seven years, based on an assets expected useful economic life.

Depreciation methods, useful lives and residual values are reviewed at the date of Balance Sheet preparation.

Should any land and buildings financed by the Exchequer be sold, the University may be liable under the terms of the Financial Memorandum with the Scottish Funding Council, to repay the proceeds.

#### b. Fixed Assets reported on the Balance Sheet

	Freehold Land and Buildings £000	Equipment £000	2021 Total £000
<b>Cost</b>			
At 1 August 2020	52,514	6,762	59,276
Additions	1,111	325	1,436
Disposals	0	(160)	(160)
<b>At 31 July 2021</b>	<b>53,625</b>	<b>6,927</b>	<b>60,552</b>
<b>Accumulated Depreciation</b>			
At 1 August 2020	(17,083)	(4,802)	(21,885)
Additions	(1,822)	(848)	(2,670)
Eliminated in respect of disposals	0	160	160
<b>At 31 July 2021</b>	<b>(18,905)</b>	<b>(5,491)</b>	<b>(24,396)</b>
<b>Net Book Value</b>			
<b>At 31 July 2021</b>	<b>34,720</b>	<b>1,436</b>	<b>36,156</b>
<b>At 31 July 2020</b>	<b>35,431</b>	<b>1,960</b>	<b>37,391</b>

## Notes to the Financial Statements

### Note 8: Trade and Other Receivables

#### a. Accounting policy

Receivables are the amounts owed to the University by debtors. Receivables include debtors not due (when an invoice is raised by the University but is not yet due for payment) and overdue debtors (when the due date has passed).

A prepayment is the settlement of a debt or instalment payment before its official due date.

Income from the sale of goods or services is credited to the Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Tuition fees and grants (including Research Grants) from non-Government sources are recognised in income when the University is entitled to the income and performance related conditions have been met. Income received in arrears is recognised as prepaid income within debtors on the balance sheet.

#### b. Trade and Other Receivables reported on the Balance Sheet

	2020 Actual £000	2021 Actual £000
Trade Debtors	295	272
Student Debtors	26	16
Accrued Income	180	135
General (Individual items <£50k)	817	725
Tuition Fees Income	32	0
SFC Income	41	114
Research Project Income	369	242
Prepayments	1,259	1,081
Trade and Other Receivables	1,760	1,504

## Notes to the Financial Statements

### Note 9: Trade and Other Payables – amounts falling due within one year

#### a. Accounting policy

Payables are the amounts owed by the University to creditors, presented as a liability on the balance sheet. Income received in advance of performance conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Under FRS102 we are required to accrue a financial value for holidays earned but not taken at the financial year end. This calculation is reviewed and adjusted, if required, annually.

#### b. Trade and Other Payables reported on the Balance Sheet

	2020 Actual £000	2021 Actual £000
Trade Payables	255	351
Student Accounts	298	598
Salix Monies	200	0
Other	129	86
Other Payables	<u>627</u>	<u>684</u>
Social Security and Other Taxation Payable - Holiday Pay Provision	562	524
Deferred Income - Research Project Income	2,710	3,723
Unsecured Loans due within one year	343	716
Tuition Fees	133	97
SFC	164	226
Severance	698	402
Contract Works/ Purchase Orders	93	187
Other	278	475
Accruals	<u>1,366</u>	<u>1,387</u>
Trade and Other Payables: amounts falling due within one year	<u><u>5,863</u></u>	<u><u>7,385</u></u>

### Note 9: Trade and Other Payables – amounts falling due after one year

	2020 Actual £000	2021 Actual £000
Unsecured loans due after one year	<u><u>10,884</u></u>	<u><u>10,117</u></u>

## Notes to the Financial Statements

### Note 10: Loans

#### a. Accounting policy

Grants (including Research Grants) from non-Government sources are recognised in income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

#### b. Loans from Scottish Funding Council (Solar PV and LED Lighting, Carbon Reduction, Financial Transactions)

	2020 Actual £000	2021 Actual £000
<b>Analysis of Unsecured Loans</b>		
Due within one year and on demand	343	716
Due between one and two years	665	716
Due between two and five years	1,994	2,148
Due in five years or more	8,225	7,253
<b>Total Unsecured Loans</b>	<b>11,227</b>	<b>10,833</b>
Unsecured Loans Repayable by 2030	974	820
Unsecured Loans Repayable by 2041	10,253	10,013
	<b>11,227</b>	<b>10,833</b>

### Note 11: Lease Obligations

#### a. Accounting policy

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

#### b. Rental commitments under non-cancellable operating leases expiring

	2020 Actual £000	2021 Actual £000
<b>Commitments under non-cancellable operating leases expiring - Other:</b>		
Within one year	13	18
Between two and five years	15	18
	<b>28</b>	<b>36</b>

## Notes to the Financial Statements

### Note 12: Pension Overview

#### a. Schemes

Staff are eligible to join one of three pension schemes:

- The Scottish Teachers' Superannuation Scheme (STSS – the default for academic staff).
- The local government pension scheme the Tayside Superannuation Fund (TSF – the default for support staff).
- The Universities Superannuation Scheme (USS - normally where staff have transferred from another institution).

We have taken the exemption permitted to disclose STSS (for academic staff) as a defined contribution scheme - STSS not being able to calculate individual employers' share of the overall deficit. The TSF (for support staff) is disclosed as a defined benefit. The USS scheme (for a small number of academic and administrative staff) is a defined contribution but with an agreed deficit recovery plan.

Pension figures presented in this report are only for the purposes of SORP accounting. In particular, they are not relevant for calculations undertaken for pension scheme funding purposes or for other statutory purposes under UK pension legislation.

#### b. Pensions as reported in the Statement of Comprehensive Income and Expenditure

During the year to 31 July the total cost of these pension arrangements for the University was £3,376k (2020 - £3,383k). This includes £0 (2020 - £0) of outstanding contributions at the balance sheet date.

	2020 £000	2021 £000
STSS	1,945	1,979
TSF	1,359	1,328
USS	79	69
<b>Total Pension Cost</b>	<b>3,383</b>	<b>3,376</b>

#### c. Pensions as reported on the Balance Sheet

	31/07/2020 £000	STSS Pension £000	USS Pension £000	TSF Pension £000	31/07/2021 £000
At 1 August	10,141	0	144	26,083	26,227
Movement in year	16,086	0	(22)	(10,624)	(10,646)
At 31 July	<u>26,227</u>	<u>0</u>	<u>122</u>	<u>15,459</u>	<u>15,581</u>

#### d. Further detailed notes

**STSS – note 13.**

**TSF – note 14.**

**USS – note 15.**

## **Notes to the Financial Statements**

### **Note 13: Pension - Scottish Teachers' Superannuation Scheme**

**Pension costs for the STSS are accounted for as a defined contribution plan.**

#### **Accounting Policy**

**A defined contribution plan is a post-employment benefit plan under which the institution pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.**

**STSS is a multi-employer scheme, for which contributions are charged directly to the income and expenditure account as if the scheme was a defined contribution scheme. Because of the mutual nature of the scheme, the schemes assets are not hypothecated to individual institutions and a scheme wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting year.**

**The latest actuarial valuation of the STSS received from the Scottish Public Pension Agency (formerly the Scottish Office Pension Agency) was at 31 March 2016. The contribution rates reflect benefits as they are accrued, not when costs are actually incurred, and they reflect experience of the scheme. The employers' contribution was 17.2% until 31/08/2019 and increased to 23% from 01/09/2019 to 31/03/2023. Whereas the employee's contribution varies between 7.2% and 11.9% throughout the year depending on annual salary.**

**Because the University is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 102 the above scheme is accounted for as if it were a defined contribution scheme.**



**Notes to the Financial Statements**  
**Note 14: Pension - Tayside Superannuation Fund**

Pension costs for the TSF are accounted for as a defined benefit plan.

**a. Accounting Policy**

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on net assets set aside to fund the benefits will differ from expectation) are borne, in substance, by the University. The University should recognise a liability for its obligations under defined benefit plans net of plan assets, This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Defined benefit pension schemes continue to record deficits relative to their forecast liabilities. In general, participating in a defined benefit pension scheme means that we are exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

We acknowledge the resultant volatility that this will bring to the balance sheet each year, but it does recognise the liability the University would have if the scheme ceased.

**b. Actuarial Valuation**

An actuarial valuation of Tayside Pension Fund was carried out as of 31 July 2021. The purpose was to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2021 to 31 March 2023 (3-year period). Contributions are set to cover any shortfall between the assumed cost of providing benefits built up by members at the valuation date and the assets held by the Fund and to also cover the cost of benefits that active members will build up in the future. The next valuation will be carried out as of 31 March 2023 and will set a contribution for the period 1 April 2024 to 31 March 2027.

**c. Financial Assumptions**

The TSF financial assumptions are set with reference to market conditions at 31st July of each year.

The financial assumptions used to calculate the results are as follows:

	2020	2021
Discount Rate	1.4%	1.6%
Pension Increases	2.3%	2.8%
Salary Increases	3.3%	3.8%
Retail Price Index	3.3%	3.8%
Consumer Price Index	2.3%	2.8%

**Demographic / Statistical Assumptions –**

The post retirement mortality tables adopted are the S2PA tables with a multiplier of 130%. These base tables are then projected using the CMI\_2018 Model, allowing for a long-term rate of improvement of 1.5% p.a. Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation’s model, CMI\_2018, which was released in March 2020. We have adopted the default smoothing parameter of 7.5 and have not applied an additional initial rate, while continuing to adopt a long term improvement rate of 1.25% p.a.

Life expectancy from age 65 (years)		2020	2021
Retiring Today	Males	19.7	19.3
	Females	21.7	22.5
Retiring in 20 Years	Males	21.4	20.7
	Females	23.6	24.1

The estimated asset allocation in the scheme was:

	31-Jul-20		31-Jul-21	
	£000	%	£000	%
Equities	57,219	70%	71,333	72%
Gilts	4,285	5%	5,118	5%
Other Bonds	10,567	13%	11,959	12%
Property	8,377	10%	8,916	9%
Cash	1,334	2%	2,205	2%
	56	0%	65	0%
<b>Total</b>	<b>81,838</b>	<b>100%</b>	<b>99,596</b>	<b>100%</b>

**d. FRS 102 Combined Disclosures**

**Analysis of Amount Debited to the Statement of Comprehensive Income and Expenditure:**

	<b>2020</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Service Cost	3,508	4,989
	191	354
Administration Expenses	29	33
Total Pension Cost	<u>3,728</u>	<u>5,376</u>

**Change in Actuarial Value of Scheme Liabilities:**

	<b>2020</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Opening defined benefit obligation	89,939	107,921
Current service cost	3,146	3,689
Interest cost	1,875	1,458
Change in financial assumptions	14,310	6,220
Change in demographic assumptions	0	(2,698)
Experience loss/(gain) on defined benefit obligation	0	(2,669)
Liabilities assumed / (extinguished) on settlements	0	0
Estimated benefits paid net of transfers in	(2,204)	(2,413)
Past service costs, including curtailments	362	1,300
Contributions by Scheme participants and other employers	524	511
Unfunded pension payments	(31)	(29)
Closing defined benefit obligation	<u>107,921</u>	<u>113,290</u>

**Reconciliation of Opening & Closing Balances of Fair Values of Fund Assets:**

	<b>2020</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Opening Fair Value of Fund Assets	80,240.00	81,838.00
Interest on Assets	1,684.00	1,104.00
Return on Assets Less Interest	17.00	16,357.00
Other Actuarial gains/(losses)	0.00	392.00
Administration Expenses	(29.00)	(33.00)
Contributions by Employer Including Unfunded	1,637.00	1,869.00
Contributions by Scheme Participants and Other Employers	524.00	511.00
Estimated Benefits Paid Plus Unfunded Net of Transfers In	(2,235.00)	(2,442.00)
Closing Fair Value of Fund Assets	<u>81,838.00</u>	<u>99,596.00</u>

**Remeasurements in other comprehensive income**

	2020	2021
	£000	£000
Return on Fund Assets in Excess of Interest	17	16,357
Other Actuarial Gains/(Losses) on assets	0	392
Change in Financial Assumptions	(14,310)	(6,220)
Change in Demographic Assumptions	0	2,698
Experience Gain/(Loss) on Defined Benefit Obligation	0	2,669
	0	0
Re-measurement of the Net Assets/(Defined Liability)	<u>(14,293)</u>	<u>15,896</u>

**Sensitivity Analysis Current Financial Year:**

	£000	£000	£000
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present value of total obligation	111,076	113,290	115,550
Projected service cost	3,724	3,845	3,970
Adjustment to long term salary increase	0.10%	0.00%	-0.10%
Present value of total obligation	113,557	113,290	113,024
Projected service cost	3,847	3,845	3,843
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	-0.10%
Present value of total obligation	115,253	113,290	111,365
Projected service cost	3,968	3,845	3,725
Adjustment to life expectancy	+1Year	None	-1 Year
Present value of total obligation	119,045	113,290	107,825
Projected service cost	4,038	3,845	3,661

## **Notes to the Financial Statements**

### **Note 15: Pension - Universities Superannuation Scheme**

*Pension costs for the USS are accounted for as a defined contribution plan.*

#### **a. Accounting Policy**

A defined contribution plan is a post-employment benefit plan under which the institution pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

The institution participates in Universities Superannuation Scheme. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the surplus and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised through the surplus and loss account.

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in surplus or loss in accordance with section 28 of FRS 102. The directors are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving these financial statements.

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 20 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2020 is underway but not yet completed.

Since the institution cannot identify its share of USS Retirement Income Builder assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2018 valuation was the fifth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

#### **b. Financial Assumptions**

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2020	2021
Discount Rate	2.59%	1.05%
Pensionable Salary Growth	4.20%	7.45%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

**2018 valuation**

**Mortality base table**

**Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females**

**Post retirement: 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females**

**Future improvements to mortality CMI\_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females**

*The current life expectancies on retirement at age 65 are:*

	2020	2021
Males currently aged 65 (years)	24.4	24.7
Females currently aged 65 (years)	25.9	26.1
Males currently aged 45 (years)	26.3	26.7
Females currently aged 45 (years)	27.7	27.9

***c. Pension Provision***

The obligation to fund the USS arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payments over the period of the contracted obligation in assessing the value of this provision.



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# INTEGRATED REPORT 2020/21